

Message Text

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DEPT PASS TO TREASURY FOR PELIKAN AND EXIMBANK FOR MINIKES

E.O. 11652: N/A

TAGS: EFIN, EEC, ETRD

SUBJECT: EXPORT CREDIT GENTLEMEN'S AGREEMENT -- EC COMMISSION

REACTS TO FOUR US PROPOSALS

REFS: A. STATE 166580

B. ROME 10273

C. BONN 11513

D. THE HAGUE 3588

E. STATE 158812 OR 159267

1. SUMMARY: THE EC COMMISSION HAS NOT YET OBTAINED THE MEMBER STATES' REACTIONS TO THE FOUR US PROPOSALS FOR A GENTLEMEN'S AGREEMENT (REF A). THE EC IS NOT LIKELY TO RESPOND FORMALLY TO THESE PROPOSALS UNTIL SEPTEMBER. NEVERTHELESS, MRS. ARCHIBALD IS ENCOURAGED BY THE US INITIATIVE AND BELIEVES THAT THEY WILL SERVE AS A STARTING POINT FOR RESUMING NEGOTIATIONS. END SUMMARY.

2. A MISSION OFFICER GAVE TO MRS. ARCHIBALD OF THE EC COMMISSION THE MESSAGE IN REF A. SHE HAS NOT YET CONSULTED WITH MEMBER STATE EXPORT CREDIT OFFICIALS

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ON THE US FOUR PROPOSALS FOR A COMPROMISE GENTLEMEN'S

AGREEMENT. MOST OF THE KEY OFFICIALS ARE CURRENTLY ON VACATION. THE EC WILL NOT HAVE A CHANCE TO DISCUSS THE PROPOSALS IN DETAIL UNTIL SEPTEMBER. AS NOTED IN REF C, THERE WILL BE AN EC EXPORT CREDIT MEETING ON JULY 24 BUT THE PRINCIPAL OFFICIALS, WHO ARE INVOLVED IN THE NEGOTIATIONS, WILL NOT BE ATTENDING THIS MEETING. MRS. ARCHIBALD, HOWEVER, MAY BE ABLE TO CONTACT INFORMALLY SEVERAL DELEGATIONS AND GIVE US THEIR INITIAL REACTIONS BEFORE THE COMMISSION BEGINS ITS SUMMER HOLIDAYS ON ABOUT AUGUST 2.

3. MRS. ARCHIBALD PERSONALLY BELIEVES THE NEW US PROPOSALS WILL DEFUSE THE NEGATIVE REACTION TO THE US COUNTER-PROPOSALS (REF E) TO THE SMITH/LOWE SUGGESTIONS. SHE IS GRATEFUL FOR THE US PROPOSALS AND BELIEVES THAT ONE OR MORE OF THEM COULD SERVE AS A STARTING POINT FOR FURTHER NEGOTIATIONS. THERE ARE STILL PROBLEMS, HOWEVER, WHICH WILL REQUIRE FURTHER EXCHANGES OF VIEWS WITH THE US AND JAPAN BEFORE THE EC CAN DECIDE ON HOLDING ANOTHER NEGOTIATING MEETING.

4. MRS. ARCHIBALD GAVE HER PERSONAL VIEWS ON EACH OF THE FOUR PROPOSALS CONTAINED IN PARA 4 OF REF A. RE PROPOSAL 4(A), SHE BELIEVES A ONE YEAR TRIAL PERIOD FOR THE GEBERTH COMPROMISE IS AN ATTRACTIVE IDEA. THE MAIN PROBLEM CONTINUES TO BE FRANCE, HOWEVER, WHICH WANTS TO REDUCE THE INTEREST RATE MINIMA IN THIS COMPROMISE. RE PROPOSAL 4(B), THE EC WILL LIKELY BE WILLING TO CONSIDER LIMITING THE MATURITY PERIOD FOR A FEW SPECIFIC SECTORS. RE PROPOSAL 4(C), THE COMMISSION LIKES THE IDEA OF LINKING AN INCREASE IN INTEREST RATE MINIMA WITH THE ELIMINATION OF AN EXTENSION OF THE MATURITY PERIOD TO 15 YEARS FOR PROJECTS EXCEEDING \$200 MILLION OF EXPORTS. RE PROPOSAL 4(D), MRS. ARCHIBALD ASKED WHAT CRITERIA WOULD BE APPLIED TO DETERMINE THAT THERE IS REASONABLE ASSURANCE THAT THE IMPORTER WOULD GO FORWARD WITH A PROJECT ON THE LIMITED OFFICIAL USE

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TERMS BEING OFFERED. MRS. ARCHIBALD CONCLUDED THAT THE MAIN PROBLEM WITH THIS LATTER PROPOSAL IS THE POSSIBILITY OF EXTENDING MATURITIES BEYOND 12 YEARS. GREENWALD

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